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Annual Report



THE EAGLE-PICHER COMPANY

for the fiscal year ended
NOVEMBER 30, 1951

40117618



SUPERFUND RECORDS

009239

Annual Report

THE EAGLE-PICHER COMPANY

for the fiscal year ended

,
November 30, 1951

THE EAGLE PITCHER COMPANY

EXECUTIVE OFFICES CINCINNATI OHIO

BOARD OF DIRECTORS

JOEL M BOWLBY	WILLIAM H MITCHELL
CARL A GEIST	JOHN J ROWE
CARL F HERTENSTEIN	T SPENCER SHORE
ELMER ISERN	GEORGE A SPIVA
STANLEY R MILLER	MILES M ZOLLER

OFFICERS

JOEL M BOWLBY	Chairman
T SPENCER SHORE	President
WILLIAM R DICE	Vice President and Comptroller
CARL A GEIST	Vice President Secretary Treasurer
ELMER ISERN	Vice President
MILES M ZOLLER	Vice President
CARL F HERTENSTEIN	Assistant Treasurer
RICHARD SERVISS	Assistant Secretary
K E KIMMEL	Assistant Secretary

TRANSFER AGENTS

GUARANTY TRUST COMPANY OF NEW YORK NEW YORK N Y
WESTERN BANK & TRUST COMPANY CINCINNATI OHIO

REGISTRARS

THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK NEW YORK N Y
THE FIFTH THIRD UNION TRUST COMPANY CINCINNATI OHIO

The Eagle-Picher Company

TO OUR SHAREHOLDERS

Sales of The Eagle-Picher Company for 1951 established a new high and net income was substantially larger than in 1950 despite a material increase in taxes. At the end of the fiscal year working capital and net worth were at new peaks.

Net sales for the fiscal year ended November 30 1951 amounted to \$82 086 318 compared with \$69 123 903 for the preceding year an increase of 18.7%.

Net profit after taxes for the 1951 fiscal year was \$3 703 807 compared with \$2 929 296 for 1950.

As at November 30 1951 and November 30 1950 net working capital was \$18 625 755 and \$15 486 220 respectively and net worth was \$26 398 195 and \$24 441 894, respectively.

Sales

Net sales of \$82 086 318 for the fiscal year ended November 30 1951 were the largest in the Company's history. Moreover sales in the second half of the year undoubtedly would have been higher except for the short supply of lead. Throughout this six months period foreign prices were above domestic ceiling prices and during the fourth quarter domestic lead was under Government allocation. As a result our lead intake in the second half not only fell far short of meeting the requirements of our manufacturing divisions but also was considerably less than our intake for the same period of 1950.

Prices of lead (New York) and zinc (East St. Louis) the Company's two principal commodities remained at 17c and 17½¢ per pound respectively from the beginning of the fiscal year

until October 2 1951. From October 2 to the present time these prices have been 19c and 19½¢ respectively. The new prices thus affected sales only in the last two months of the fiscal year.

Earnings

Net profit after taxes for the fiscal year ended November 30 1951 was \$3 703 807 equivalent to \$4.11 per share on the 900 000 shares outstanding at the year end and to \$3.74 per share on the 989 177 shares now outstanding. This compared with net profit of \$2 929 296 equal to \$3.25 per share reported for the previous year and to \$2.96 per share based on the present capitalization.

Gross operating profit before depletion and depreciation in 1951 was \$17 020 420 compared to \$13 557 652 in 1950 an increase of \$3 462 768 and net profit before taxes for these two years was \$9 003 807 and \$6 399 296 respectively an increase of \$3 104 511. It is significant that most of the increase in gross profit was carried through to net profit before taxes.

Provision for Federal and State taxes on income last year was \$5 800 000, of which \$900 000 was for excess profits tax. This was an increase of \$2 330 000 over the 1950 tax provision. On approximately \$3 000 000 of 1951 taxable earnings Federal taxes on income amounted to 82.3%.

It is extremely difficult for an organization to keep driving for additional sales increased production lower costs and greater efficiency when its members realize that less than 18% of the results of their combined efforts may be translated into net profit after taxes. We believe the Eagle

Picher organization deserves credit for the job it did in these respects during the past year

Balance Sheet

Current assets at November 30 1951 amounted to \$24 328 172 including \$9 173 684 of cash and governments, and current liabilities were \$5 702,417 a ratio of 4 26 to 1

Working capital of \$18 625 755 was the largest in the Company's history and represented an increase of \$3,139 535 over that of a year ago

Total inventories at November 30 1951 were \$7 729 498 compared with \$6 889 044 a year earlier an increase of \$840 454 The metal content of inventories at November 30 1951 was slightly lower than at November 30 1950

Investments in and advances to foreign subsidiaries were reduced by \$1 057 718 during the year This was due largely to the repayment of advances by the Mexican subsidiaries The Mexican investment at the year end stood at \$1 598 776 or about 1 5 times the payment made in 1951 The present prospect indicates a further sizable reduction of the advances in 1952

Net fixed assets at November 30 1951 totaled \$11 102 406 compared with \$11 325 613 at November 30 1950 a decrease of \$223 207

A charge of \$1 786 818 to earned surplus eliminated from the balance sheet \$1 409 833 cost of stocks of consolidated subsidiaries in excess of their book values at time of acquisition the balance of \$376 985 was a similar item representing the final settlement of a contingent liability determined by an earnings formula, arising from the purchase of The Orange Screen Company in 1946 Intangible assets are now carried at \$1 although the above mentioned write-offs represented actual cash expenditures

Net Worth

The net worth of your Company at November 30 1951 was at an all time high of \$26 398 195 equivalent to \$29 33 per share on the year end

capitalization and to \$26 68 per share on the present shares outstanding Net worth at November 30 1950 was \$24 441 894 after deduction of intangible assets of \$1 409 833

Dividends

The regular quarterly dividend of 30 cents per share was maintained during 1951 and an extra of 30 cents was paid in December making total cash disbursements of \$1 50 for the 1951 calendar year The same amount was paid in 1950

In addition, a 10% stock dividend was declared in November and paid in December after the end of the fiscal year A total of 89 177 shares was issued and fractions aggregating 823 shares were paid in cash For each dividend share a total of \$18 was transferred from earned surplus of which \$10 was credited to capital stock and \$8 to capital surplus Earned surplus was also decreased by the cash payments made in lieu of fractional shares The total charge to surplus aggregated \$1 625 843 the cash payment amounting to \$20 657 was included in dividends payable on the year end balance sheet and the remainder of \$1 605 186 will be reflected in subsequent balance sheets Earnings of the Company for the 1951 fiscal year were in excess of the above charges as well as all cash dividends declared during the year

The Board of Directors remains of the opinion that the best interests of shareholders are served by adhering to a conservative regular dividend rate which can be supplemented by payment of extra dividends in cash or stock when consistent with earnings and the financial position of the Company

Shareholders

At November 14, 1951 there were 6 242 shareholders of record owning the 900 000 shares of common stock then outstanding In comparison the Company has approximately 5,400 employees Inasmuch as stock held in a broker's or nominee's name may represent the holdings of many in

dividual shareholders the number of owners greatly exceeds the number of employees

Shareholders of the Company reside in every state of the Union and in several foreign countries Over 62 per cent of them own less than 100 shares of stock and the average holding is about 145 shares They are to be found in every walk of life and fall in the following general classifications

	No of Holders	No of Shares
Men	2 864	355 940
Women	2 362	236 188
Joint Tenants	612	33 644
Brokers & Nominees	197	201 821
Fiduciaries Institutions etc	207	7 407
	<u>6 422</u>	<u>900 000</u>

Directors and Officers

It is with deep regret that we report the death on March 21 1951 of Mr Robert E Mullane who had served as a director of The Eagle Picher Company since 1932 His sound business judgment contributed much to the Company's welfare

We were saddened by the passing on November 15 1951 of Mr Vincent H Beckman who had been a member of the Board of Directors since 1929 He rendered loyal and constructive service to the Company and his loss is deeply felt

It is with sincere sorrow that we report the death of Mr Arthur E Bendelari on February 10 1952 An eminent mining engineer Mr Bendelari joined our Company in 1915 as General Manager of the Mining Division He was President of the Company from 1927 to 1937 and continued as a director until his retirement in March 1951 He was greatly beloved by all members of our organization

On November 23 1951, Mr Elmer Isern and Mr Miles M Zoller were elected Vice Presidents of the Company and Mr K E Kimmel was elected Assistant Secretary Mr Isern is Manager of the Mining & Smelting Division and has been a director of the Company since 1946 Mr Zoller

is Manager of the Pigment Division and was elected a director in 1943

Outlook

It is always difficult to foresee what may happen in any year and 1952 certainly is no exception Business activity in general should be maintained on a high level during the present year as a result of full employment and high individual incomes increased expenditures by the Government for national defense and large capital expenditures by corporations The business pattern will not be uniform however and dislocations will continue to occur in some industries because of Government restrictions allocation of scarce materials and possibly labor surpluses or shortages Many of the industries we serve should fare well but others may curtail operations

We believe that earnings of your Company for the 1952 fiscal year will be satisfactory The diversity of the Company's products and their uses should sustain physical volumes in a period of high over all activity The recent decline in foreign lead and zinc prices was anticipated and has merely reduced their premiums over domestic prices

The Company has a relatively favorable tax base and its excess profits tax credit for 1952 is estimated at about \$6 500 000 The financial position is strong and will serve not only as a buttress against possible recessionary tendencies but also will permit expansion of our business as favorable opportunities arise

The Eagle Picher Company continues to enjoy good management-employee relations and we shall strive to maintain this relationship in the future

By order of the Board of Directors

JOEL M BOWLBY
Chairman

T SPENCER SHORE
President

CINCINNATI OHIO
FEBRUARY 15, 1952

THE EAGLE PITCHER COMPANY

CONSOLIDATED BALANCE SHEET

ASSETS		1951	1950
CURRENT ASSETS			
Cash		\$ 7 931 052	\$ 5 910 269
U. S. Government obligations — at cost (market value \$1 243 233 at November 30 1951)		1 242 632	620 000
Accounts and notes receivable	\$ 7 765 945		\$ 8 583 286
Less Allowance for doubtful receivables	<u>340 955</u>	<u>7 424 990</u>	<u>367 894</u>
Inventories of raw materials work in process finished products and supplies			
Ores metals and metal bearing products — Note 1	3 939 603		3 553 546
Other products merchandise for resale and manufacturing materials and supplies — at cost	<u>3 789 895</u>	<u>7 729 498</u>	<u>3 335 498</u>
TOTAL CURRENT ASSETS		<u>24 328 172</u>	<u>21 634 705</u>
OTHER ASSETS			
Repair parts and maintenance supplies	1 171 479		965 975
Investment in and advances to associated company and sundry securities — at or below cost	335 494		395 594
Miscellaneous accounts and advances	<u>363 623</u>	<u>1 870 596</u>	<u>280 212</u>
INVESTMENT IN AND ADVANCES TO FOREIGN SUBSIDIARIES NOT CONSOLIDATED — Note 2			
Mexican subsidiaries	1 598 776		2 611 629
Canadian subsidiaries	<u>698 000</u>	<u>2 296 776</u>	<u>742 865</u>
PROPERTY PLANT AND EQUIPMENT			
Mining lands and leases mills smelters and fabricating plants and railroad and miscellaneous properties	42 265 362		42 148 094
Less Allowance for depletion depreciation etc	<u>31 162 956</u>	<u>11 102 406</u>	<u>30 822 481</u>
INTANGIBLE ASSETS			
Cost of stocks of consolidated subsidiaries in excess of book value at dates of acquisition of net assets acquired			1 409 833
Patents goodwill etc	<u>1</u>	<u>1</u>	<u>1</u>
PREPAID AND DEFERRED CHARGES			
Prepaid freight insurance etc	165 593		192 700
Miscellaneous deferred charges	<u>590 080</u>	<u>695 673</u>	<u>530 573</u>
		<u>\$40 293 624</u>	<u>\$40 089 700</u>

The accompanying notes are an

AND DOMESTIC SUBSIDIARIES

AS AT NOVEMBER 30 1951 AND 1950

LIABILITIES

CURRENT LIABILITIES	1951	1950
Accounts payable	\$ 2 916 600	\$ 3 810 061
Dividends payable	560 657	539 749
Purchase money obligation	408 000	103 346
Accrued liabilities		
Wages and salaries	\$ 574 640	\$ 451 503
Taxes — other than taxes on income	191 578	192 094
Other	792 072	465 134
Provision for Federal and State taxes on income	7 252 229	4 111 598
Less U S Government obligations	6 993 359	3 525 000
TOTAL CURRENT LIABILITIES	5 702 417	6 148 485

PURCHASE MONEY OBLIGATION

Payable serially to March 1 1952 less payment due within one year	31 015
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LONG TERM DEBT

3% Notes payable serially September 1 1953 to September 1 1967	7 500 000	7 500 000
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RESERVES FOR SELF INSURANCE

Workmen's compensation	551 355	422 017
Fire and tornado	141 657	136 456
	693 012	558 473

STOCKHOLDERS EQUITY — Notes 3 and 4

Capital stock — par value \$10 per share		
Authorized	1 000 000 shares	
Issued and outstanding	900 000 shares	9 000 000
Surplus		
Capital surplus	2 050 232	2 050 096
Earned surplus	15 347 963	14 801 631
	26 398 195	25 851 727
	<u>\$40 293 624</u>	<u>\$40 089 700</u>

integral part of this balance sheet

THE EAGLE PICHER COMPANY AND DOMESTIC SUBSIDIARIES

STATEMENTS OF CONSOLIDATED PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEARS ENDED NOVEMBER 30 1951 AND 1950

	1951	1950
NET SALES	\$82 086 318	\$69 123 903
PRODUCTION AND MANUFACTURING COSTS	<u>65 065 898</u>	<u>55 566 251</u>
GROSS OPERATING PROFIT — before depletion and depreciation	17 020 420	13 557 652
EXPENSES		
Selling	\$ 2 252 154	\$ 2 228 365
Traffic warehousing and shipping	782 144	760 862
General and administrative	<u>2 617 951</u>	<u>2 389 656</u>
	5 652 249	5 378 883
NET OPERATING INCOME — before depletion and depreciation	11 368 171	8 178 769
OTHER INCOME	<u>248 729</u>	<u>168 208</u>
	11 616 900	8 346 977
INTEREST EXPENSE		
Long term debt	225 000	225 000
Other	<u>5 201</u>	<u>6 063</u>
	230 201	231 063
	11 386 699	8 115 914
DEPLETION DEPRECIATION Etc		
Provision for depletion and depreciation	1 497 202	1 692 646
Exploration and prospecting expenses and loss or gain on disposition of capital assets	<u>385 690</u>	<u>23 972</u>
	1 882 892	1 716 618
NET PROFIT — before Federal and State taxes on income	9 503 807	6 399 296
FEDERAL AND STATE TAXES ON INCOME		
Federal normal tax and surtax	4 810 000	3 175 300
Federal excess profits tax	900 000	215 000
State income tax	<u>90 000</u>	<u>79 700</u>
	5 800 000	3 470 000
NET PROFIT FOR YEAR	3 703 807	2 929 296
EARNED SURPLUS — BEGINNING OF YEAR	<u>14 801 631</u>	<u>13 212 252</u>
	18 505 438	16 141 548
CHARGES TO EARNED SURPLUS		
Dividends paid and accrued	1 370 657	1 339 917
Charge arising from write-off of cost of stocks of consolidated subsidiaries in excess of book value at dates of acquisition of net assets acquired including \$376 985 accrued November 30 1951 under terms of purchase agreement	<u>1 786 818</u>	<u>1 339 917</u>
	3 157 475	2 679 834
EARNED SURPLUS — END OF YEAR		
Notes 3 and 4	<u>\$15 347 963</u>	<u>\$14 801 631</u>

The accompanying notes are an integral part of this statement

THE EAGLE PICHER COMPANY AND DOMESTIC SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

NOVEMBER 30 1951

NOTE 1 — Under the base stock method of inventory valuation adopted at November 30 1949 basic quantities of 15 000 tons of lead and 10 000 tons of zinc are valued at fixed prices based on 6 5 cents per pound for lead (New York) and 5 cents per pound for zinc (East St. Louis) the remainder of the inventory metal content is priced at the lower of average cost or market

Inventories of metal content of lead at November 30 1951 (which are priced on the base stock method of inventory valuation as in the previous year) are below established base quantities. Provision of \$425 000 has been made in the accounts to cover the excess of the cost of replacing the liquidated quantities at the November 30 1951 market prices over the fixed prices adopted for base stock inventory valuation.

NOTE 2 — The equity of The Eagle Picher Company and Domestic Subsidiaries in foreign subsidiaries not consolidated has increased \$1 007 931 since dates of acquisition as a result of profits losses and dividend distributions. Of this increase \$607 917 accrued during the year ended November 30 1951.

NOTE 3 — On October 26 1951 a dividend was declared payable December 10 1951 in capital stock of the company at the rate of one share for each 10 shares held. Such dividend was paid by the issuance of 89 177 shares and the payment of \$20 657 as a cash dividend in lieu of the issuance of fractional shares totaling 823 shares.

On December 10 1951 a charge of \$1 605 186 was made against earned surplus representing \$18 per share for the 89 177 shares so issued. Common stock was credited at the par value of \$10 per share or \$891 770 and the balance of \$713 416 was credited to capital surplus.

NOTE 4 — The 3% notes contain a covenant which so long as any of the notes remain outstanding restricts the amount which may be declared as dividends (other than those payable in stock of the Company) or applied in the purchase redemption or retirement of the Company's capital stock. At November 30 1951 the amount not so restricted was \$9 431 987.

NOTE 5 — A portion of the Company's sales for the year ended November 30 1951 is subject to renegotiation under the Renegotiation Act of 1951. No provision has been made for possible refunds since it appears that renegotiation will have no material effect on the financial statements as of November 30 1951.

PEAT MARWICK MITCHELL & CO
Certified Public Accountants

CINCINNATI OHIO

TO THE DIRECTORS
THE EAGLE Picher COMPANY
Cincinnati Ohio

We have examined the consolidated balance sheet of The Eagle Picher Company and its domestic subsidiaries as of November 30 1951 and the related statement of profit and loss and earned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statement of consolidated profit and loss and earned surplus present fairly the financial position of The Eagle Picher Company and its domestic subsidiaries at November 30 1951 and the results of their operations for the fiscal year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PEAT MARWICK MITCHELL & Co

Cincinnati Ohio
February 7 1952

FINANCIAL SUMMARY

OPERATIONS for the Years Ended November 30	1951	1950
Net Sales	\$82 086 318	\$69 123 903
Net Profit before Income Taxes	9 503 807	6 399 296
Federal and State Taxes on Income	5 800 000	3 470,000
Net Profit for Year	3 703,807	2 929 296
Per Share*	4 11	3 25
Dividends Paid and Accrued	1 370 657	1 339 917
Per Share	1 50	1 50
Retained in the Business	2 333 150	1,589,379

FINANCIAL POSITION as at November 30	1951	1950
Current Assets	\$24 328 172	\$21 634 705
Current Liabilities	5 702 417	6 148 485
Working Capital	18,625,755	15 486 220
Fixed Assets, Net	11 102,406	11 325 613
Investments in and Advances to Foreign Subsidiaries	2 296 776	3 354 494
Long Term Debt	7,500 000	7 500,000
Net Worth	26,398,195	24 441 894†
Per Share*	29 33	27 15

*Based on 900 000 shares of common stock outstanding On December 10 1951 a 10% stock dividend was paid There are presently 989 177 shares outstanding
†After deduction of \$1 409 833 of intangible assets

PRINCIPAL EAGLE-PICHER PRODUCTS

Painting Materials

FLAT WALL FINISHES
SEMI-GLOSS FINISHES
TRIM COLORS
SASH & TRIM ENAMELS
FARM AND RANCH PAINTS
STUCCO & CONCRETE PAINT
QUICK DRY ENAMELS
QUICK WALL SEAL
PORCH & DECK ENAMELS
VARNISHES

INTERIOR GLOSS ENAMEL
HOUSE PAINTS
CREOSOTE PAINT
SCREEN ENAMEL
MACHINERY AND IMPLEMENT
ENAMELS
SHINGLE STAINS
WALL PRIMERS & SEALERS
ENAMEL UNDERCOATS
BASIC THINNER

PASTE WOOD FILLER
PENETRATING OIL STAINS
VARNISH STAINS
ALUMINUM PAINTS
TRAFFIC PAINTS
COLORS IN OIL
METAL PAINTS
HEAT RESISTING PAINTS
WHITE LEAD PAINTS

Pigments and Oxides

LEAD FREE ZINC OXIDES
LEADED ZINC OXIDES
WHITE LEAD CARBONATE
SUPER SUBLIMED WHITE LEAD

SUBLIMED BLUE LEAD
BASIC SILICATE WHITE LEAD
LEAD SILICATE (MONO)
ALSILOX
RED LEAD

ORANGE MINERAL
LITHARGE
SUBLIMED LITHARGE
LITHOPOVE
GERMANIUM OXIDE

Metallic Products

ALLOYS TIN LEAD
ANTIMONIAL LEAD
ANODES TIN
BEARING METALS
CAULKING LEAD

LEAD PIPE AND TUBING
LEAD WIRE
TIN PIPE AND TUBING
ROOF FLANGES
PLUMBERS LEAD FITTINGS

SOLDERS
LEAD WEIGHTS
LEAD WOOL AND PLUGS
SHEET LEAD
LEAD TIN SILVER

Industrial Insulation

INSULATING CEMENTS
MINERAL WOOL — FILL
MINERAL WOOL — LOOSE
MINERAL WOOL PIPE COVERINGS

PROTECTIVE COATINGS FOR
INSULATION
MINERAL WOOL — BLANKETS

MINERAL WOOL — BLOCKS
MINERAL WOOL — FELTS
DIATOMACEOUS EARTH BLOCKS
ANTI CONDENSATION COMPOUND

Home Conditioning Products

MINERAL WOOL INSULATION —
GRANULATED LOOSE BATTS

COMBINATION STORM WINDOWS
AND SCREENS

COMBINATION STORM AND
SCREEN DOORS

Other Products

CELATOM (DIATOMACEOUS EARTH)
CADMIUM

INDUSTRIAL FLOOR DRY NO 85
GALLIUM

SLAB ZINC (SPELT R)
GERMANIUM